

Message Text

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44

ORIGIN NEA-10

INFO OCT-01 ISO-00 EB-07 FEAE-00 INT-05 OES-03 COME-00

OMB-01 TRSE-00 PM-03 NSC-05 SP-02 SS-15 CIAE-00

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DRAFTED BY NEA/IRN:BBMORTON:S

APPROVED BY NEA/IRN:CWNAAS

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R 191623Z MAY 75

FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: ENRG

SUBJECT: CONSORTIUM MEETING WITH SHAH

1. EXXON HAS INFORMED DEPARTMENT THAT CONSORTIUM HAS ARRANGED AUDIENCE WITH SHAH IN TEHRAN MAY 15. CONSORTIUM TEAM WILL CONSIST OF KEN JAMIESON OF EXXON, DAVIS STEELE OF BP, GERRY WAGNER OF SHELL AND MAURICE GRANVILLE OF TEXACO.

2. PROBLEM CONSORTIUM WANTS TO DISCUSS IS TIGHT FINANCIAL POSITION IT IS IN IN IRAN. GIVEN NOTIONAL PROFIT OF 22 CENTS PER BARREL, EARNINGS FROM IRAN ARE CURRENTLY ALMOST MATCHED BY INVESTMENTS IN IRAN (FOR EXPLORATION, MAINTENANCE OF RESERVES AND FACILITIES, SECONDARY RECOVERY, ETC.). CONSORTIUM EXPECTS THAT IN SHORT TIME IT WILL HAVE NEGATIVE CASH FLOW WITH IRANA WITH INVESTMENTS EXCEEDING INCOME.- IN VIEW OF WORLDWIDE SQUEEZE ON PROFITS, CONSORTIUM FINDS SITUATION IN IRAN QTE INTOLERABLE UNQTE
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AND WILL BE SEEKING SOME FORM OF RELIEF FROM SHAH.

3. COMPLICATING FACTOR IS THAT CONSORTIUM IS NOW
UNDERLIFTING ITS NOMINATIONS BY AN AVERAGE OF 12 PERCENT.

BASIC AGREEMENT CALLS FOR PENALTY FOR LIFTING LESS THAN
95 PERCENT OF NOMINATIONS, BUT VALIDITY OF THAT HAS BEEN
PUT IN QUESTION BY INSTITUTION EARLIER THIS YEAR OF
QTE SINGLE-PRICE UNQTE SYSTEM. CONSORTIUM POSITION IS
THAT NEW SYSTEM MAKES PENALTY CLAUSE ILLOGICAL AND
CONSORTIUM IS NOT LIABLE FOR PENALTIES (WHICH AMOUNT TO
PAYMENT FOR 95 PERCENT OF NOMINATIONS EVEN THOUGH SMALLER
AMOUNT LIFTED). CONSORTIUM DOUBTS THAT SHAH WILL AGREE
WITH ITS VIEW, BUT WILL POINT OUT THAT THERE IS NO MARKET
FOR OIL BEYOND QUANTITY NOW BEING LIFTED. INGERSOLL

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